

REPORT
LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA

JUNE 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

12/8/10

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

October 20, 2010

Honorable Joel T. Chaisson, II, Co-Chair
Honorable Jim Tucker, Co-Chair
Legislative Budgetary Control Council
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Legislative Budgetary Control Council, State of Louisiana as of and for the year ended June 30, 2010, as listed in the index to report. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Legislative Budgetary Control Council, State of Louisiana, are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Louisiana.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Legislative Budgetary Control Council, State of Louisiana as of June 30, 2010, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2010, on our consideration of the Legislative Budgetary Control Council, State of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 4 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Legislative Budgetary Control Council, State of Louisiana's basic financial statements. The required supplementary information on page 20 is presented for additional analysis as required by the Governmental Accounting Standard Board (GASB) and is not a required part of the basic financial statements. The schedule on page 21 is presented for the purpose of additional analysis and is also not a required part of the financial statements of the Legislative Budgetary Control Council, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Duplantier, Hrapmann, Hogan & Maher, LLP

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

This section of the Legislative Budgetary Control Council, State of Louisiana (Council) annual financial report presents Management's analysis of the Council's financial performance for the year ended June 30, 2010. This analysis should be read in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Council's net assets increased by \$4,918,322. This resulted primarily from an increase in state appropriations for the State Capitol HVAC Replacement and Renovations project.

The general revenues of the Council were \$20,156,992.

The total expenditures/expenses of the Council were \$14,509,441.

The other financing uses of the Council were \$729,229.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three sections: Management's Discussion and Analysis, basic financial statements and required supplementary information. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

BASIC FINANCIAL STATEMENTS

The financial statements of the Council report information about the Council using accounting methods similar to those used by private companies. These financial statements provide financial information about the activities of the Council.

The Governmental Fund Balance Sheet/Statement of Net Assets (p. 5) presents the current and long-term portions of assets and liabilities separately.

The Statement of Governmental Fund Revenues, Expenditures and Changes in the Fund Balance/Statement of Activities (p. 6) presents information on how the Council's net assets changed as a result of current period operations.

The following presents condensed financial information of the Council:

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

SUMMARY STATEMENTS OF NET ASSETS

ASSETS:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Current assets	\$ <u>17,238,219</u>	\$ <u>12,291,952</u>
Total assets	<u>17,238,219</u>	<u>12,291,952</u>

LIABILITIES:

Current liabilities	772,510	749,613
Long-term liabilities	<u>61,418</u>	<u>56,370</u>
Total liabilities	<u>833,928</u>	<u>805,983</u>
Unrestricted net assets	<u>\$ 16,404,291</u>	<u>\$ 11,485,969</u>

SUMMARY STATEMENTS OF ACTIVITIES

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
General revenues	\$ <u>20,156,992</u>	\$ <u>17,805,712</u>
Total revenues	<u>20,156,992</u>	<u>17,805,712</u>
Expenditures/expenses	<u>14,509,441</u>	<u>10,873,391</u>
Other financing uses	<u>729,229</u>	<u>529,867</u>
Change in net assets	<u>\$ 4,918,322</u>	<u>\$ 6,402,454</u>

BUDGET ANALYSIS

A comparison of budget to actual operations is a required supplementary schedule and is presented in the accompanying supplementary information. Total expenditures were \$6,333,470 over budgeted amounts. This resulted from expenditures for the State Capitol HVAC Replacement and Renovations project.

CONTACTING THE COUNCIL'S MANAGEMENT

This audit report is designed to provide a general overview of the Council and to demonstrate the Council's accountability for its finances. If you have any questions about this report or need additional information, please contact the Legislative Budgetary Control Council, State of Louisiana, P.O. Box 44305, Baton Rouge, Louisiana 70804.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
JUNE 30, 2010

	General Fund	Adjustments*	Statement of Net Assets
ASSETS:			
Cash in bank (Note 2)	\$ 4,808,407	\$ -	\$ 4,808,407
Unwarranted appropriations (Note 11)	<u>12,429,812</u>	<u>-</u>	<u>12,429,812</u>
TOTAL ASSETS	<u>\$ 17,238,219</u>	<u>-</u>	<u>17,238,219</u>
LIABILITIES:			
Accounts payable	\$ 705,645	-	705,645
Accrued salaries and related benefits	19,888	-	19,888
Due to other legislative agencies (Note 7)	46,977	-	46,977
Compensated absences (Note 1)	-	42,620 (1)	42,620
OPEB payable (Note 4)	-	18,798 (1)	18,798
Total liabilities	<u>772,510</u>	<u>61,418</u>	<u>833,928</u>
FUND BALANCE/NET ASSETS:			
Unreserved, undesignated	<u>16,465,709</u>	<u>(16,465,709)</u>	<u>-</u>
Total fund balance	<u>16,465,709</u>	<u>(16,465,709)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 17,238,219</u>		
NET ASSETS:			
Unrestricted, undesignated		<u>16,404,291</u>	<u>16,404,291</u>
TOTAL NET ASSETS		<u>\$ 16,404,291</u>	<u>\$ 16,404,291</u>

***Explanation**

(1) Long-term liabilities, such as compensated absences and other postemployment benefits, are not due and payable in the current period, and therefore, are not reported in the General Fund.

See accompanying notes.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN THE FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Adjustments*</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES:			
Personnel services	\$ 375,680	\$ 5,048 (1)	\$ 380,728
Operating services	1,081,593	-	1,081,593
Supplies	369,815	-	369,815
Professional services	4,573,954	-	4,573,954
Capital outlay	8,103,351	-	8,103,351
Total expenditures/expenses	<u>14,504,393</u>	<u>5,048</u>	<u>14,509,441</u>
GENERAL REVENUES:			
State appropriations (Note 11)	20,149,644	-	20,149,644
Interest	2,948	-	2,948
Other	4,400	-	4,400
Total general revenues	<u>20,156,992</u>	<u>-</u>	<u>20,156,992</u>
Excess of revenues over expenditures/ expenses	<u>5,652,599</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Interagency transfers in (Note 7)	64,000	-	64,000
Interagency transfers out (Note 7)	(793,229)	-	(793,229)
Total other financing uses	<u>(729,229)</u>	<u>-</u>	<u>(729,229)</u>
Excess (deficiency) of revenues and other financing sources over expenditures/expenses and other financing uses	4,923,370	(4,923,370)	-
Change in net assets	-	4,918,322	4,918,322
Fund Balance/Net Assets (Deficit):			
Beginning of Year	11,542,339	(56,370)	11,485,969
End of Year	<u>\$ 16,465,709</u>	<u>\$ (61,418)</u>	<u>\$ 16,404,291</u>

***Explanation**

- (1) Expenses of long-term obligations for compensated absences and other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.

See accompanying notes.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NATURE OF OPERATIONS:

The Legislative Budgetary Control Council, State of Louisiana, created by Title 24, Section 38 of the Louisiana Revised Statutes, maintains rules and regulations designed to control the budget and spending procedures within the Legislative branch of government, approves budget requests for all legislative budget units and funds projects for the Legislature such as the joint computer operations, upkeep and renovations of the Capitol complex and funding of national legislative organizations. Appropriated funds are allocated to the Council to defray the expenses of the Louisiana Legislature, including the expenses of the House of Representatives, the Senate, Louisiana Law Institute, Legislative Auditor, and the Legislative Fiscal Office.

The Council is composed of twelve members and four employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Governmental accounting principles and practices are promulgated and established by the Governmental Accounting Standards Board (GASB). The GASB has issued a *Codification of Governmental Accounting and Financial Reporting Standards*. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such pronouncements.

The following is a summary of the more significant accounting policies.

Financial Reporting Entity:

Application of Section 2100 of the GASB Codification defines the governmental reporting entity (in relation to the Legislative Budgetary Control Council) to be the State of Louisiana. The accompanying financial statements of the Legislative Budgetary Control Council contain sub-account information of the General Fund and account groups of the State of Louisiana. Annually, the State of Louisiana issues financial statements, which include the activity contained in the accompanying financial statements.

Fund Accounting:

The Legislative Budgetary Control Council uses fund accounting (separate sets of self-balancing accounts) to reflect the sources and uses of available resources and the budgetary restrictions placed on those funds by the Louisiana Legislature. The General Fund is used to account for all of the Legislative Budgetary Control Council's activities, including the servicing of long-term liabilities.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting:

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with *Statement of Governmental Accounting Standard 34*, the Legislative Budgetary Control Council presents a Statement of Net Assets and Statement of Activities. These statements reflect entity-wide operations of the Legislative Budgetary Control Council. The Legislative Budgetary Control Council has no fiduciary funds or component units. The Legislative Budgetary Control Council has only a General Fund, supported by an appropriation from the State of Louisiana and self-generated funds.

Within the accompanying statements, the General Fund column of the Statement of Net Assets and the Statement of Activities reports all activities of the Legislative Budgetary Control Council using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Management considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. However, as management considers it available regardless of when received, the legislative appropriation is recorded during the year, and for the year, the appropriation is made, and interest and other revenues are recorded when earned. Expenditures are recorded when a liability is incurred, as in accrual accounting. However, compensated absences are recorded when paid.

The General Fund column is adjusted to create a Statement of Net Assets and Statement of Activities. Within this column, amounts are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Budgetary Practices:

The Legislative Budgetary Control Council is required to submit to the members of the Council an estimate of the financial requirements of the ensuing fiscal year. The General Fund appropriation is enacted into law by the Legislature and sent to the Governor for his signature. The Legislative Budgetary Control Council is authorized to transfer budget amounts between accounts in the General Fund. Revisions that alter total appropriations must be approved by the Legislature. The level of budgetary responsibility is by total appropriation. All annual appropriations lapse at fiscal year end, and require that any amounts not expended or encumbered at the close of the fiscal year be returned to the State General Fund unless otherwise reappropriated by subsequent Legislation action. Current appropriation legislation authorizes such reappropriation of prior year funds.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Budgetary Practices: (Continued)

The budget of the General Fund is prepared on the budgetary (legal) basis of accounting. In compliance with budgetary authorization, the Legislative Budgetary Control Council includes the prior year's fund balance represented by appropriate liquid assets remaining in the fund as a budgeted revenue in the succeeding year. The result of operations on a GAAP basis does not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

Encumbrances:

Encumbrances are recorded when purchase orders, contracts, and other commitments for expenditures of monies are recorded but are not considered expenditures unless liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated. Encumbrances are an allowable charge against the current year appropriation.

Leave Benefits:

Accumulated unpaid annual, sick and compensatory leave is reported in the Statement of Net Assets and Statement of Activities within the accompanying financial statements. The Legislative Budgetary Control Council, State of Louisiana's employees accrue unlimited amounts of annual and sick leave at varying rates as established by the Legislative Budgetary Control Council's personnel practices. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave are carried as earned service in computing retirement benefits.

Furthermore, employees earn compensatory leave for hours worked in excess of 40 hours per work week. The compensatory leave may be used similarly to annual or sick leave. At June 30, 2010 annual leave of up to 300 hours, for which employees could be paid upon resignation or retirement, and compensatory leave, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, totaled \$42,620.

The following are the changes in compensated absences (long-term obligations) during the year:

<u>Balance</u> <u>July 1, 2009</u>	<u>Net Change</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>\$40,880</u>	<u>\$ 1,740</u>	<u>\$42,620</u>

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Postemployment Benefits:

The Legislative Budgetary Control Council provides certain health care and life insurance benefits for retired employees. Substantially all of the Council's employees may become eligible for those benefits if they reach normal retirement age while working for the Council. These benefits for retirees and similar benefits for active employees are provided through the State's Office of Group Benefits Plan and the LSU System Health Plan. Monthly premiums are paid jointly by the employee and the Council. The Council recognizes the cost of providing these benefits as an expenditure in the year paid in the General Fund. For the year ended June 30, 2010, those costs totaled \$14,017, which covered two retired employees, funded through the legislative appropriation.

2. CASH IN BANK:

Under State law, the Legislative Budgetary Control Council may deposit funds in an approved bank located in the State selected and designated by the presiding co-chairman of the Council. These public deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank.

At June 30, 2010, the carrying amount of the Legislative Budgetary Control Council's cash account was \$4,808,407, and the bank balance was \$4,996,815. All cash was covered by federal depository insurance or pledged securities held by the Federal Reserve Bank in the name of the Legislative Budgetary Control Council.

3. RETIREMENT SYSTEM:

Plan Description:

Substantially all employees of the Council participate in the Louisiana State Employees' Retirement System (LASERS), a cost sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. The plan provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute and guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The reports may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

3. RETIREMENT SYSTEM: (Continued)

Funding Policy:

Plan members of the Legislative Budgetary Control Council, State of Louisiana are required by state statute to contribute 7½% or 8% (depending on their date of hire) of their annual covered salary to LASERS, respectively and the Council (as their employer) is required to contribute at an actuarially determined rate. The current employer rate is 18.6% of annual covered payroll. The contribution requirements of plan members are established by and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The State of Louisiana funds the employer contribution through the annual legislative appropriation. The Council's employer contributions to LASERS for the years ended June 30, 2010, 2009 and 2008, which were equal to the required contributions for each year, were as follows:

<u>June 30,</u>	
2010	\$ 54,929
2009	51,927
2008	54,428

4. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

Substantially all Council employees become eligible for postemployment health care and life insurance benefits if they reach normal retirement age while working for the Council. The Legislative Budgetary Control Council offers its employees the opportunity to participate in one of two medical coverage plans. One offering is from the State Office of Group Benefits (OGB) which also offers a life insurance plan, and the other is with the LSU System Health Plan. Statement No. 45 of the Governmental Accounting Standards Board (GASB) promulgates the accounting and financial reporting requirement by employers that offer other postemployment benefits (OPEB) besides pensions. Both of the medical coverage plans and the life insurance plan available are subject to the provisions of this Statement. Information about each of these two plans is presented below.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

4. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

PLAN DESCRIPTIONS:

LSU System Health Plan:

The Legislative Budgetary Control Council is one of a limited number of state agencies that may participate in the LSU System Health Plan. The state agency participation is not material and, as such, the plan is identified as a single-employer defined benefit healthcare plan that is not administered as a trust or equivalent arrangement. The Health Plan offers eligible employees, retirees, and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage that gives members a unique, consumer-driven health-care approach to pay routine health expenses and provides coverage for major healthcare expenses. Within the Health Plan members have a choice of selecting Option 1 or Option 2. Option 1 is more costly but features both lower yearly deductibles and out-of-network coinsurance requirements. Effective July 1, 2009, eligible retirees are provided \$20,000 in life insurance coverage for their lifetime at no cost to the retiree.

The LSU System Health Plan selects claim and pharmaceutical administrators to administer its program. Both claim and pharmacy administrators are selected through a formal Request for Proposals process followed by negotiations between the System and qualified vendors.

The Health Plan originally began as a pilot program within the State Office of Group Benefits (OGB), the office that provides health benefits to state employees. The Health Plan does not issue a publicly available financial report, but it is included in the System's audited Financial Report. The Financial Report may be obtained from the System's website at <http://www.lsusystem.lsu.edu/>.

State OGB Plan:

Legislative Budgetary Control Council's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The Office of Group Benefits administers the plan. LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

4. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

FUNDING POLICIES

LSU System Health Plan:

While actuarially determined, the plan rates must be approved by OGB under LRS 42:851.B. Plan rates are in effect for one year and members have the opportunity to switch providers during the open enrollment period which usually occurs in April.

The plan is financed on a pay as you go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits. This expense includes all expected claims and related expenses and is offset by retiree contributions.

Depending upon the Option selected, during the year ended June 30, 2010, employee premiums for a single member receiving benefits range from \$67 to \$77 per month for retiree-only coverage with Medicare or from \$115 to \$133 per month for retiree-only coverage without Medicare. The premiums for the year ended June 30, 2010 for a retiree and spouse range from \$117 to \$268 per month for those with Medicare or from \$296 to \$404 per month for those without Medicare.

The Legislative Budgetary Control Council contributed anywhere from \$201 to \$232 per month for retiree-only coverage with Medicare or from \$809 to \$878 per month for retiree-only coverage without Medicare during the year ended June 30, 2010. Also, the Legislative Budgetary Control Council's contributions ranged from \$351 to \$803 per month for retiree and spouse with Medicare or \$1,336 to \$1,382 for retiree and spouse without Medicare.

State OGB Plan:

The contribution requirements of plan members and the Legislative Budgetary Control Council are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) plan and the Health Maintenance Organization (HMO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans which includes three HMO plans and two private fee-for-service (PFFS) plans. Depending upon the plan selected, during fiscal year 2010, employee premiums for a single member receiving benefits range from \$81 to \$98 per month for retiree-only coverage with Medicare or from \$134 to \$181 per month for retiree-only coverage without Medicare. The premiums for the year ended June 30, 2010 for a retiree and spouse range from \$146 to \$362 per month for those with Medicare or from \$435 to \$527 per month for those without Medicare.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

4. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

FUNDING POLICIES: (Continued)

State OGB Plan: (Continued)

The plan is currently financed on a pay as you go basis, with the Legislative Budgetary Control Council contributing anywhere from \$243 to \$253 per month for retiree-only coverage with Medicare or from \$864 to \$900 per month for retiree-only coverage without Medicare during fiscal year 2010. Also, the Legislative Budgetary Control Council contributions range from \$437 to \$937 per month for retiree and spouse with Medicare or \$1,326 to \$1,382 for retiree and spouse without Medicare during the year ended June 30, 2010.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death & dismemberment coverage ceasing at age 70 for retirees.

ANNUAL OPEB COST:

The Legislative Budgetary Control Council's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2009 was \$17,068.

The following table presents the Legislative Budgetary Control Council's OPEB Obligation for year ended June 30, 2010. The table shows the components of each plan's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan, and changes in the plan's net OPEB obligation to the retiree health plan:

	Office of Group Benefits Plan	LSU System Health Plan	Total
Annual required contribution	\$ 5,500	\$ 11,568	\$ 17,068
Interest on net OPEB obligation	-	1,141	1,141
ARC adjustment	(13)	(871)	(884)
Annual OPEB Cost	5,487	11,838	17,325
Contributions made	(14,017)	-	(14,017)
Increase in Net OPEB Obligation/(Asset)	(8,530)	11,838	3,308
Beginning Net OPEB Obligation/(Asset)	(7,326)	22,816	15,490
Ending Net OPEB Obligation/(Asset)	\$ (15,856)	\$ 34,654	\$ 18,798

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

4. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

ANNUAL OPEB COST: (Continued)

The Legislative Budgetary Control Council's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation/(asset) for the fiscal year ended June 30, 2010, and the preceding two fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
<u>OGB</u>			
June 30, 2010	\$ 5,487	255.5%	\$ (15,856)
June 30, 2009	9,993	136.6%	(7,326)
June 30, 2008	9,500	138.6%	(3,671)
<u>LSU</u>			
June 30, 2010	\$ 11,838	0%	\$ 34,654
June 30, 2009	11,816	0%	22,816
June 30, 2008	11,500	0%	--

FUNDED STATUS AND FUNDING PROGRESS:

Act 910 of the Regular Session established the Postemployment Benefits Trust Fund effective July 1, 2008; however, neither the Legislative Budgetary Control Council nor the State of Louisiana has ever made contributions to it. Since no contributions have been made, the Legislative Budgetary Control Council's entire actuarial accrued liability of \$129,000 for the OGB Plan was unfunded. The LSU System Health Plan does not use a trust fund to administer the financing of the plan and the payment of benefits.

The funded status of the plan, as determined by actuaries as of July 1, 2009, was as follows:

	<u>Office of Group Benefits Plan</u>	<u>LSU System Health Plan</u>
Actuarial accrued liability (AAL)	\$ 129,000	\$ 48,456
Actuarial value of plan assets	--	--
Unfunded actuarial accrued liability (UAAL)	<u>\$ 129,000</u>	<u>\$ 48,456</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (annual payroll of active employees covered by the plans)	n/a	\$ 253,497
UAAL as a percentage of covered payroll	n/a	19.12%

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

4. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

ACTUARIAL METHODS AND ASSUMPTIONS:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

A summary of the actuarial assumptions is presented below:

	<u>LSU System Health Plan</u>	<u>State OGB Plan</u>
Actuarial valuation date	July 1, 2009	July 1, 2009
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	30 years	30 years
Asset valuation method	none	none
Actuarial assumptions:		
Investment rate of return	5% annual rate	4% annual rate
Projected salary increases	4% per annum	5% per annum
Healthcare inflation rate	11% initial 5% ultimate	8.5 – 9.6% initial 5.0% ultimate

5. LITIGATION, CLAIMS AND SIMILAR CONTINGENCIES:

Losses arising from litigation, claims and similar contingencies are considered state liabilities and are paid by special appropriations made by the Louisiana Legislature. Any applicable litigation, claims and similar contingencies are not recognized in the accompanying financial statements.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

5. LITIGATION, CLAIMS AND SIMILAR CONTINGENCIES: (Continued)

At June 30, 2010, the Council was not involved in any lawsuits or threatened litigations.

6. PROFESSIONAL SERVICES:

Professional services include the following professional fees:

Public Systems Associates (computer services)	\$ 4,369,980
Custom Accounting Solutions (computer support)	20,874
Louisiana Public Broadcasting (satellite transmission services)	73,200
Duplantier, Hrapmann, Hogan & Maher, LLP (auditing)	34,400
Akamai Technologies (satellite transmission services)	32,870
Robert B. Barbor (hurricane recovery planning)	42,500
McKee & Deville (engineering)	130
	<u>\$ 4,573,954</u>

7. INTERAGENCY TRANSFERS:

Transfers Out:

Amounts paid to other governmental units for the year ended June 30, 2010, consist of the following:

	<u>Office Operations</u>	<u>Capital Outlay</u>	<u>Total</u>
House of Representatives	\$ 424,301	\$ 102,520	\$ 526,821
Senate	159,834	106,574	266,408
	<u>\$ 584,135</u>	<u>\$ 209,094</u>	<u>\$ 793,229</u>

Amounts due to other legislative agencies at June 30, 2010 consist of the following:

Due to House of Representatives	\$ 23,489
Due to Senate	23,488
	<u>\$ 46,977</u>

Transfers In:

A transfer in was received from the Office of Homeland Security in the amount of \$64,000 for capital outlay related safety equipment.

8. OTHER COSTS:

The State of Louisiana, through other appropriations, provides office space, utilities, and janitorial services for the operations in the State Capitol, all of which are not included in the accompanying financial statements.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

9. RECONCILIATION:

The Statement of Net Assets and Statement of Activities present the Legislative Budgetary Control Council's fund balance/net assets from a fund perspective and an entity-wide perspective, using the current financial resources focus for the fund balance and the economic resources measurement focus for net assets. The amounts are reconciled as follows:

Fund Balance, June 30, 2010	\$ 16,465,709
Compensated absences	(42,620)
Other postemployment benefits payable	(18,798)
Net Assets, June 30, 2010	<u>\$ 16,404,291</u>

10. ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

11. UNWARRANTED APPROPRIATIONS:

The unwarranted appropriation and appropriation authorized and collected during the year are summarized as follows:

	Total Appropriation <u>Authorized</u>	Unwarranted Appropriation as of <u>June 30, 2009</u>	Appropriation Authorized for the year ended <u>June 30, 2010</u>	Funds Collected in the year ended <u>June 30, 2010</u>	Unwarranted Appropriation as of <u>June 30, 2010</u>
Act 744, 1985 R.S.	\$ 4,640,000	\$ 140,000	\$ --	\$ --	\$ 140,000
Act 26, 2005 R.S.	2,100,000	543,547	--	--	543,547
Act 29, 2008 R.S.	2,000,000	2,000,000	--	2,000,000	--
Act 69, 2008 R.S.	9,149,643	2,537,840	--	2,537,840	--
Act 69, 2008 R.S.	250,000	250,000	--	250,000	--
Act 20, 2009 R.S.	12,000,000	--	12,000,000	4,561,505	7,438,495
Act 60, 2009 R.S.	8,149,644	--	8,149,644	8,149,644	--
Act 122 2009 R.S.	6,400,000	<u>6,400,000</u>	<u>--</u>	<u>2,092,230</u>	<u>4,307,770</u>
		<u>\$ 11,871,387</u>	<u>\$ 20,149,644</u>	<u>\$ 19,591,219</u>	<u>\$ 12,429,812</u>

REQUIRED SUPPLEMENTARY INFORMATION

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Actual Amounts			Budgeted Amounts	
	GAAP Basis	GAAP to Budget Differences Over (Under)	Budgetary Basis	Original	Final
REVENUES:					
State appropriations	\$ 20,149,644	\$ -	\$ 20,149,644	\$ 8,149,644	\$ 8,149,644
Interest	2,948	-	2,948	-	-
Other	4,400	-	4,400	-	-
Reappropriated fund balance (1)	-	11,558,481 (1)	11,558,481	11,558,481	11,558,481
Total revenues	<u>20,156,992</u>	<u>11,558,481</u>	<u>31,715,473</u>	<u>19,708,125</u>	<u>19,708,125</u>
EXPENDITURES/EXPENSES:					
Personnel services	375,680	(3,746) (2)	371,934	188,621	188,621
Operating services	1,081,593	-	1,081,593	1,318,860	1,318,860
Supplies	369,815	-	369,815	230,000	230,000
Professional services	4,573,954	-	4,573,954	5,694,696	5,694,696
Capital outlay	8,103,351	-	8,103,351	735,000	735,000
Total expenditures/expenses	<u>14,504,393</u>	<u>(3,746)</u>	<u>14,500,647</u>	<u>8,167,177</u>	<u>8,167,177</u>
Excess of revenues over expenditures/expenses	5,652,599	11,562,227	17,214,826	11,540,948	11,540,948
OTHER FINANCING USES:					
Interagency transfers in	64,000	-	64,000	-	-
Interagency transfers out	(793,229)	-	(793,229)	-	-
Total other financing uses	<u>(729,229)</u>	<u>-</u>	<u>(729,229)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	4,923,370	11,562,227	16,485,597	11,540,948	11,540,948
Fund balances - beginning	11,542,339	16,142 (3)	11,558,481	1,013,440	1,013,440
Less reappropriated fund balance	-	(11,558,481) (1)	(11,558,481)	(11,558,481)	(11,558,481)
Fund balances - ending	<u>\$ 16,465,709</u>	<u>\$ 19,888</u>	<u>\$ 16,485,597</u>	<u>\$ 995,907</u>	<u>\$ 995,907</u>

Explanation of differences:

- (1) Budgets include reappropriated fund balances carried over from prior years to cover expenditures of the current year. The results of operations on a GAAP basis do not recognize these amounts as revenue since they represent prior period's excess of revenues over expenditures.
- (2) Personnel services and related benefits are budgeted only to the extent expected to be paid, rather than on the modified accrual basis.
- (3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the budget. (See Note 1 for a description of the Council's budgetary accounting method.) This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS
FOR THE YEAR ENDED JUNE 30, 2010

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Office of Group Benefits Plan	7/1/2007	\$ --	\$ 223,700	\$ 223,700	0%	n/a	n/a
LSU System Health Plan	7/1/2007	\$ --	\$ 42,000	\$ 42,000	0%	\$ 228,208	18.40%
Office of Group Benefits Plan	7/1/2008	\$ --	\$ 235,800	\$ 235,800	0%	n/a	n/a
LSU System Health Plan	7/1/2008	\$ --	\$ 42,000	\$ 42,000	0%	\$ 240,057	17.50%
Office of Group Benefits Plan	7/1/2009	\$ --	\$ 129,000	\$ 129,000	0%	n/a	n/a
LSU System Health Plan	7/1/2009	\$ --	\$ 48,456	\$ 48,456	0%	\$ 253,497	19.12%

OTHER SUPPLEMENTARY INFORMATION

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES
BUDGET (LEGAL BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES AND ENCUMBRANCES:			
Dues for national and regional organizations	\$ 386,132	\$ 385,063	\$ 1,069
Facilities management personnel	188,621	181,682	6,939
Huey P. Long Memorial Library	115,000	205,063	(90,063)
Joint computer services	5,513,364	5,066,762	446,602
Joint legislative committee on the budget	21,000	14,472	6,528
Public transmission of session proceedings	110,000	73,200	36,800
Joint reapportionment project	208,484	230,144	(21,660)
Capitol Security (EMT's)	263,244	118,089	145,155
State Police and Capitol Police	50,000	14,547	35,453
Operating services	225,000	98,308	126,692
Professional services	71,332	76,900	(5,568)
David R. Poynter Memorial Library	115,000	92,765	22,235
Maintenance of Capitol Complex	735,000	7,814,109	(7,079,109)
Capitol janitorial	160,000	138,337	21,663
Compensation Review Commission	5,000	-	5,000
Total expenditures and encumbrances	<u>8,167,177</u>	<u>14,509,441</u>	<u>(6,342,264)</u>
OTHER FINANCING USES:			
Interagency transfers out	<u>-</u>	<u>793,229</u>	<u>(793,229)</u>
TOTAL EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES	<u>\$ 8,167,177</u>	<u>\$ 15,302,670</u>	<u>\$ (7,135,493)</u>



DUPLANTIER, HRAPMANN,
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 20, 2010

Honorable Joel T. Chaisson, II, Co-Chair
Honorable Jim Tucker, Co-Chair
Legislative Budgetary Control Council
State of Louisiana
Baton Rouge, Louisiana

Board of Trustees:

We have audited the financial statements of the Legislative Budgetary Control Council, State of Louisiana, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Legislative Budgetary Control Council, State of Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Legislative Budgetary Control Council, State of Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Legislative Budgetary Control Council, State of Louisiana's internal control over financial reporting.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Legislative Budgetary Control Council, State of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Council's management and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

LEGISLATIVE BUDGETARY CONTROL COUNCIL
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the Legislative Budgetary Control Council for the year ended June 30, 2010 was unqualified.
2. Compliance and Other Matters
Noncompliance material to financial statements: none noted
3. Internal Control
Material weaknesses: none noted
Significant deficiencies: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER AUDITING STANDARDS
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

None

SUMMARY OF PRIOR YEAR FINDINGS:

None